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ABSTRACT

The great similarity between the Canadian and American structures of school finance conceals some fundamental, constitutional, and structural differences that shape the trends in Canadian school finance. First, provincial governments exercise a high degree of centralized control over education and its finance. Second, provincial governments have unrestricted access to major tax bases, including income, corporation, sales, and property taxes. A third characteristic is the substantial amounts of money transferred from the federal to provincial governments as unconditional equalization and revenue stabilization payments. All these factors suggest that trends in Canadian educational finance are not affected primarily by competition for taxation bases or by constitutional rigidities. An important factor influencing Canadian education over the last few years has been the Edmonton commitment of 1973, which has held down overall levels of expenditures on education. Nevertheless, there is no apparent Canadian school finance crisis or "Proposition 13 mentality." Other trends concern introduction of financial aid to private schools, federal reimbursement for minority language education, the growth of provisions for special education, declining enrollment, and attempts to equalize expenditures by municipal levels or school boards. With the exception of declining enrollment, there are no major issues of educational finance common to all Canadian provinces. (Author/JM)

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"TRENDS IN CANADIAN SCHOOL FINANCE"

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TRENDS IN CANADIAN SCHOOL FINANCE

The preparation of a paper dealing with recent trends in Canadian finance for a primarily American audience presents a somewhat difficult problem. On the one hand, since the forms and bases of Canadian school finance have so much in common with those of the United States one might restrict oneself to the discussion of modifications to foundation plans and grant structures used in the various Canadian Provinces. Unquestionably such a discussion would be of interest and will, I trust, form a major part of the presentations to be made by speakers who will follow me. On the other hand, it is possible that the similarity between the Canadian and American grant structures, serve to conceal some of the fundamental, constitutional and structural differences which serve to shape the directions in which Canadian school finance is moving. In my brief presentation I shall attempt to identify some of these differences and suggest in what way they are influencing the trends of overall programs of educational finance.

The first major difference lies in the high degree of centralized control over educational matters exercised by Provincial Governments. Although it is customary in Canada to pay lip-service to the concept of local participation and autonomy, the reality, as noted in the O.E.C.D.[1] review of Canadian education is quite different. Provincial Governments not only provide curriculum guidelines, but also exercise rights of approval over courses, textbooks and other educational materials. Provincial administrations decide the terms of teacher certification, and

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[1] Organisation for Economic Co-operation and Development Reviews of National Policies for Education: Canada OECD, Paris 1976, p. 68

strongly influence the content of teacher training. The high degree of Provincial control over educational decision-making derives directly from the British North America Act of 1867, the basic constitutional act of Canada which provided the Provinces with exclusive jurisdiction in the field of education. While centralized control of education insofar as curriculum is concerned has been a long-standing tradition in Canadian education, there is strong evidence to suggest that the financing of education is also seen as the responsibility of the Provincial Government.

Legally the position has been taken in Canada that since Provincial Governments have exclusive jurisdiction in educational matters, any province which provides for compulsory education should arrange for adequate financial structures. As Justice Halloran put it in one case, "It is the Province which is directly and primarily responsible as the agency which enacted the legislation".[2] In practice the acceptance of centralized financial control has led to the total acceptance by the Province for educational cost characteristic of the systems New Brunswick and Prince Edward Island; the absorption by the Newfoundland Provincial Government of the total cost of teaching salaries; and by the negotiation of Provincial teachers salary schedules in Quebec, Nova Scotia and Saskatchewan. One indication of the acceptability of provincial control over education finance is provided by the statistic that in 1975 local taxation in Canada accounted for only 28.3 percent of expenditures on elementary and secondary education.

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[2] Enns F., Legal Structures of the Canadian Public School Board Toronto MacMillan Co. of Canada, 1961, p. 54

A second peculiarity of the Canadian system is the degree to which Provincial Governments have unrestricted access to major tax bases. Although Provincial Governments were initially restricted to the raising of revenues through direct taxes, subsequent court cases and agreements have provided the Provincial Government with access to income, corporation,sales and property taxes. Furthermore, Provincial Governments face no statutory limitations to their revenue raising powers and thus the decision to use or allocate any particular tax base to a lower lower of Government is an administrative and political rather than a constitution decision. The rates of provincial income and corporation taxes are set annually by the Province and are collected by the Federal Government except in the case of Quebec which levies and collects its own Provincial income and corporation tax. In 1977-78, for example, the Province of Ontario obtained close to 37 percent of its overall revenue from the income and corporation tax and nothing from the property tax which the Province allocated to Municipal Governments.

This discretion in the use of different tax bases provides a confusing factor in educational finance since it must be pointed out that the use of a property tax by a Province for educational purposes does not bear any necessary relationship to the structure of the financing pattern. New Brunswick and Prince Edward Island for example finance 100 percent of the cost of elementary and secondary education but use a equalized property tax as a source

of provincial revenue. Newfoundland also finances almost 100 percent of total school costs but has only a rudimentary property tax structure on the two larger cities. Alberta on the other hand has a typical Mort type foundation plan but avoids the use of the residential property tax except for supplementary levels of financing.

It is more realistic in Canada to think of the property tax as only one of the sources of provincial revenue from which education is financed than as a tax with special problems for the financing of education.

A third characteristic of significance in Canada is the very substantial amounts of money which are transferred from the Federal Government to Provincial Governments in the form of unconditional equalization, and revenue stablization, payments. For example, in 1971-72 equalization grants alone accounted for 29 percent of Nova Scotia's provincial own revenue and for 35.9 percent of that of New Brunswick. Clearly, the effect of such unconditional grants is to provide the poorer Provinces with a much higher level of revenue than would be otherwise possible. They also permit a Province to fund public services in accordance with priorities perceived at the provincial level rather than at the federal level. There are additional federal grants in respect of shared cost programs.

The purpose of this introduction is to suggest that the factors affecting trends in Canadian educational finance are not those primarily associated with competition for taxation bases or constitutional rigidities. Trends in Canadian educational finance rather seem to be influenced much more by the economic and political implications of more general phenomena such as inflation, the stagnating economy and declining enrolments. While concern in these areas has not overshadowed completely concerns for the provision of special education, minority language education, and maintenance of equality of educational opportunity, the extent to which it is possible to accommodate the latter set of aspirations to the difficulties of the first is limited by the differences in levels of prosperity across the country as a whole.

One of the more important factors which has influenced Canadian education finance over the course of the last two years has been the so-called Edmonton commitment of 1973. The finance ministers of the Canadian Provinces met in the city of Edmonton, Alberta and agreed that Provincial Government fiscal transfers to local governments and social service agencies would grow at the same rate as provincial budgetary revenues. The base year was chosen to be fiscal 1973-74. In those Provinces which have opted for completely centralized systems of educational finance such as Newfoundland, Prince Edward Island and New Brunswick, this commitment has had the effect of holding down overall levels of expenditure on education. In Provinces in which the responsibility for

financing education is shared by the Provincial Government and the Municipal Government, the "Edmonton commitment" has had the effect of restricting growth in provincial grants and shifting more of the burden of meeting inflationary increases to the local property tax. This has been less marked in the cases of Alberta and Saskatchewan, which are enjoying a natural resource boom, but has been most marked in Ontario.

In spite of the "Edmonton commitment" and slowing down of the trend towards higher levels of provincial support, it is difficult to identify real crisis in Canadian school finance. Although there is growing resistance to expenditures by all levels of Government, there is little evidence of a Proposition 13 mentality.

There is little evidence, for instance, of increasing restriction on the power of local school boards to raise revenues beyond levels provided by basic foundation programs. Restrictions in New Brunswick and Prince Edward Island which are included at the time of provincial assumption of total funding have not changed. British Columbia which from 1968-72 only required plebiscites to increase local tax rates beyond 10 percent annually has not reintroduced them; Alberta has moved to equalize supplementary requisitions, and Ontario has abolished expenditure ceilings which were intended to limit the rate of access to the local tax base.

However, it is difficult to identify new trends in Canadian educational finance. Benson in a 1975 paper prepared for the Journal of Education Finance identified the concern over the need

to constrain expenditures. He also identified a growing concern with respect to the needs of specific groups as a means of achieving a greater degree of equality of educational opportunity. These concerns have continued to manifest themselves.

The last three or four years for instance, have seen the introduction of financial aid to private schools in British Columbia, Alberta, Saskatchewan and Quebec. Alberta, Saskatchewan, Quebec and Newfoundland have always provided for provincial aid to minority religious schools and thus the aid to private schools in these Provinces constitutes support to privately organized schools other than primarily Roman Catholic. In British Columbia where no publicly supported Roman Catholic school system existed, these grants have tended to be used to support denominational high schools. Ontario provides support for both Protestant and Roman Catholic schools, but restricts the support of Catholic schools up to Grade X. The level of support varies. In Quebec, for instance, support to private schools can amount to as much as 80 percent of the cost of operating public schools, whereas in Alberta the level of support is somewhat below 50 percent of the general grants payable.

The debate on national unity in Canada has served to focus attention to the issue of minority language education. The Federal Government reimburses Provincial Governments for expenditures made to provide educational opportunities in English or French depending on which is defined as the language of the minority. Although the grants have been available for a number of years,

it is only within the last year or two that specific attempts have been made to stimulate expenditures in this area by Provincial Governments. Currently Manitoba, Ontario, Saskatchewan and New Brunswick provide specific grants or weights. In the other Provinces no specific provision is made to cover additional costs, although the ordinary grant structure normally extends to fund minority language education on the same basis as the majority language. As an extension of or a backlash to the emphasis on French as the minority language, a number of Provinces have introduced recognized courses and financial provision for other so-called heritage languages. Alberta, Saskatchewan and Ontario provide examples of provinces which have moved in this direction over the course of the last year or two.

Another illustration of the desire to achieve greater access to educational equality is to be seen in the growth of specific provisions for special education and the improvement in attempts to define needs in this area. Usually the definition of the varieties of special need is performed under strict regulation of the Provincial Government. In British Columbia, for instance, the Ministry of Education has the power to define the minimum number of pupils required for the establishment of a program of special education if it is to be funded. In Saskatchewan a weighting factor is provided for each of the three levels (elementary, junior high, senior high) in accordance with a high or low cost factor. Again the definition of high or low cost handicapped is the responsibility of the Provincial Government.

Declining enrolments are also beginning to influence financing programs and all jurisdictions, except the Atlantic Provinces and Ontario, make special provision for this in the formulae. It must be noted, however, that of the Atlantic Provinces only Nova Scotia does not effectively bear total education costs and thus these Provinces have the power to effect adjustments for declining enrolments outside the formulae approach by means of budgetary approval.

Equalization in other respects is a mixed bag. In Ontario the shifting of the burden of increasing cost back to the municipal level is having a negative effect, whereas equalization of the supplementary requisition in Alberta is having a positive effect. Perhaps the most specific attempt to equalize through educational finance is to be seen in New Brunswick where the announced Government policy is aimed at bringing expenditures per pupil by all school boards to the same average level.

From this brief account it is readily apparent that there are with one exception no major issues of educational finance common to all Canadian Provinces. That major exception is, of course, the problem of the adaptation of school systems to declining enrolments in the context of increasing constraint on the public sector as a whole. It is to be hoped that the high degree of centralized control accepted in Canada and the broader base for provincial revenue will assist in the adjustment.

January, 1979